the employees would be enabled to buy out the concern without selling its assets. I say that the minister was aware of this because we have this guide line issued by the department. I quote guide line No. 5, as contained in the Canada Tax Service Letter dated January 31, 1967:

> Where the funds of the trustee are used to pay life insurance premiums, they must not be directed to the purchase of term insurance. The proceeds of the insurance must always be payable to the trustee.

This, I maintain, proves that the minister was aware that some of these trusts set up under profit sharing plans were buying life insurance on the lives of the principal company shareholders. The effect of the present legislation is to set up new rules governing the purchase of insurance. The new legislation says that only 25 per cent of the money paid in by employees can be used to purchase life insurance. I know there are many plans, some of which I know of personally, where practically all the money paid in by employees is directed to the purchase of life insurance. I suggest that this bill will change the situation to such an extent that a considerable number of acceptable profit sharing plans will have to be dropped.

I agree with the hon. member for York East that many plans were not acceptable. In those cases the Minister of Finance should have established guide lines to enunciate more clearly the situations under which profit sharing plans could be accepted. With the amendments being made we are putting all profit sharing plans into the same category and condemning them all in the same way.

Mr. Heward Stikeman, Q.C., in the Canada Tax Service Letter dated January 31, 1967, has this to say:

> In these amendments, the government is indulging its growing propensity for using massive legislation to block relatively isolated and minor abuses. The side effects of the amendments could be more detrimental to the tax-paying public than the loopholes they seek to close. Also, because of their extremely harsh sanctions and the retroactive effect on profit sharing plans already established which are, in many cases, almost impossible to alter, little incentive is left to the businessman to continue or start plans of this type for his employees.
>
> • (4:30 p.m.)
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> The rules of the game have once more been changed in midstream without warning and incentive legislation has proved a trap for the innocent majority because of the antics of a daring few.

In other words, we are condemning the whole spectrum of profit sharing plans so as to trap a few who have abused the privileges of this procedure. I believe the minister could have brought in amendments capable of trapping the few who are abusing these plans without prejudice to all those who are now participating in the procedure. I think this is a dangerous piece of legislation. It is retroactive. Some of its provisions are applicable to 1966. This is an unusual procedure as far as income tax is concerned. It is not customary to enact income tax legislation which affects prior years. If this were not the practice, how could taxpayers in this country know where they stand at any particular time? They do not if they face the possibility of retroactive legislation at any time.

The other point which concerns me is the further amendment to section 133. It has been traditional in Canada that dealings between the director of taxation and taxpayers should be regarded as extremely confidential. As a matter of fact, until 1965 this area of confidentiality was extremely well guarded under section 133. In 1965 the section read as follows:

> (1) Every person who, while employed in the service of Her Majesty, has communicated or allowed to be communicated to a person not legally entitled thereto any information obtained under this Act or has allowed any such person to inspect or have access to any written statement furnished under this Act is guilty of an offence and liable on summary conviction to a fine not exceeding $200.

There was one exception made at that time. When the provinces began to impose income tax, arrangements were made for information to be exchanged between the federal and the provincial departments in order to compare the tax returns reported in each case. This, I suggest, was acceptable. The only other occasion upon which information held by the Minister of National Revenue could be called into the public purview, as it were, was when the courts of justice required its production in a criminal case, there being substantial ground for such a request.

Last year this section was amended in a bill which received royal assent on July 15, 1966. The concept of confidentiality was breached to a large extent by that amendment, the essence of which was that an official or authorized person in the course of his duties in connection with the administration or enforcement of this act could communicate such information to authorized persons, and the act really did not say who these authorized persons were. This matter came to my attention as a result of a case in the Supreme Court of